

consideration the type of construction and dwelling equipment. The IHA shall prepare this schedule and reexamine it annually.

(c) *Charges to NRM*. (1) The IHA shall provide the nonroutine maintenance necessary for the home, and the cost thereof shall be funded as provided in paragraph (c)(2) of this section. Such maintenance may be provided by the homebuyer but only pursuant to a prior written agreement with the IHA covering the nature and scope of the work and the amount of credit the homebuyer is to receive. The amount of any credit shall, upon completion of the work, be credited to the homebuyer's EHPA and charged as provided in paragraph (c)(2) of this section.

(2) The cost of nonroutine maintenance shall be charged to the NRM for the home except that:

(i) To the extent such maintenance is attributable to the fault or negligence of the homebuyer, the cost shall be charged to the homebuyer's EHPA after consultation with the HBA if the homebuyer disagrees; and

(ii) To the extent such maintenance is attributable to defective materials or workmanship not covered by the warranty, or even though covered by the warranty if not paid for thereunder through no fault or negligence of the homebuyer, the cost shall be charged to the appropriate operating expense account of the Project.

(3) In the event the amount charged against the NRM exceeds the balance therein, the difference (deficit) shall be made up from continuing monthly credits to the NRM based upon the homebuyer's monthly payments. If there is still a deficit when the homebuyer acquires title, the homebuyer shall pay such deficit at settlement (see paragraph (d)(2) of this section).

(d) *Transfer of NRM*. (1) In the event the homebuyer agreement is terminated, the homebuyer shall not receive any balance or be required to pay any deficit in the NRM. When a subsequent homebuyer moves in, a credit balance in the NRM shall continue to be applicable to the home in the same amount as if the preceding homebuyer had continued in occupancy.

(2) In the event the homebuyer purchases the home, and there remains a

balance in the NRM, the IHA shall pay such balance to the homeowner at settlement. In the event the homebuyer purchases and there is a deficit in the NRM, the homebuyer shall pay such deficit to the IHA at settlement.

(e) *Investment of excess*. (1) When the aggregate amount of the NRM balances for all the homes exceeds the estimated reserve requirements for 90 days, the IHA shall invest the excess in Federally insured savings accounts, Federally insured credit unions, and/or securities approved by HUD. Income earned on the investment of such funds shall be prorated and credited to each homebuyer's NRM in proportion to the amount in each reserve account.

(2) (i) Periodically, but not less often than annually, the IHA shall prepare a statement showing:

(A) The aggregate amount of all NRM balances,

(B) The aggregate amount of investments (savings accounts and/or securities) held for the account of the NRMs, and

(C) The aggregate uninvested balance of the NRMs.

(ii) The IHA shall make a copy of this statement available to any authorized representative of the HBA.

§ 950.521 Operating reserve.

(a) *Purpose of the reserve*. To the extent that total operating receipts (including subsidies for operations) exceed total operating expenditures of the project, the IHA shall establish an operating reserve in connection with its annual operating budgets for the project. The purpose of this reserve is to provide funds for:

(1) The infrequent but costly items of nonroutine maintenance and replacements of common property, taking into consideration the types of items that constitute common property, such as nondwelling structures and equipment, and in certain cases, common elements of dwelling structures;

(2) Nonroutine maintenance for the homes to the extent such maintenance is attributable to defective materials or workmanship not covered by warranty;

(3) Working capital, including funds to cover a deficit in a homebuyer's

NRMR until such deficit is offset by future monthly payments by the homeowner or a settlement in the event the homebuyer should purchase;

(4) A deficit in the operation of the project for a fiscal year, including any deficit resulting from monthly payments totaling less than the break-even amount for the project;

(5) Nonroutine maintenance of vacated homes with insufficient NRMR balances to put them in suitable condition for reoccupancy by subsequent homeowners; and

(6) The cost of utilities on a temporary basis for an individual unit by way of a utility reimbursement when a homebuyer has insufficient tenant income to cover even the utilities.

(b) *Nonroutine maintenance of common property (contribution to operating reserve).* The amount under this heading to be included in operating expense (and in the break-even amount) established for the fiscal year shall be determined by the IHA, on the basis of estimates of the monthly amount needed to accumulate an adequate reserve for the items described in paragraph (a)(1) of this section. This contribution to the operating reserve shall be made only during the period the IHA is responsible for the maintenance of any common property; during such period, the amount shall be determined on the basis of the requirements of all common property in the development.

(c) *Transfer to homeowners' association.* Where a Turnkey III development includes common property, the IHA shall be responsible for and shall retain custody of the operating reserve until the homeowners acquire voting control of the homeowners' association. When the homeowners acquire voting control, the homeowners' association shall then assume full responsibility for management and maintenance of common property under a plan, agreed upon by the IHA and the homeowners association, and the IHA shall transfer to the homeowners' association a portion of the operating reserve then held by the IHA. This provision shall not apply when there is no common property or when there is no duly organized and functioning homeowners association.

(d) *Disposition of reserve.* Following the end of the fiscal year in which the last home has been conveyed by the IHA, the balance of the operating reserve held by the IHA shall be retained by the IHA in a replacement reserve if an ACC amendment has been executed implementing loan forgiveness, provided that the aggregate amount of payments by the IHA under this paragraph (d) shall not exceed the aggregate amount of annual contributions paid by HUD with respect to the development.

§ 950.523 Operating subsidy.

HUD may pay operating subsidy, subject to the availability of funds for this purpose and at HUD's sole discretion, to cover an operating deficit in an operating budget. However, operating subsidy or project funds may not be used to establish or maintain the homebuyer reserve accounts.

§ 950.525 Purchase price and methods of purchase.

(a) *Purchase price.* The purchase price for the initial and subsequent homebuyer shall be determined by the IHA.

(b) *Purchase price schedule.* On the date when the homebuyer agreement is signed, the IHA shall provide the homebuyer with a Purchase Price Schedule, showing the monthly declining purchase price over the term of the HOOA agreement (a period not less than 15 years or more than 25 as determined by the IHA, at an interest rate determined by the IHA). The IHA may choose to forego charging interest and calculate the payment with an interest rate of zero.

(c) *Methods of purchase.* (1) The homebuyer may achieve ownership when the amount in the EHPA, plus such portion of the NRMR as the homebuyer wishes to use for the purchase, is equal to the unamortized balance purchase price as shown at that time on the homebuyer's purchase price schedule plus all incidental costs (the costs incidental to acquiring ownership, including but not limited to the costs for a credit report, field survey, title examination, title insurance, inspections, the fees for attorneys other than the IHA's attorney, mortgage application, closing and recording, and the transfer taxes and